



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0141	Title:	Accounting for certain post-retirement benefits
Primary Sponsor:	Wilmer, Franke	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other - Enterprise	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - Enterprise	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

This bill excludes other post-employment benefits involving implicit rate subsidies from the calculation of net proceeds used in determining Liquor and Lottery profits transferred to the general fund and from the calculation of the commission rate for collection services. The bill also excludes OPEB in calculating fees commensurate with costs for statewide internal service funds.

FISCAL ANALYSIS

Assumptions:

Overview of Other Post-Employment Benefits (OPEB)

- Effective with the beginning of FY 2008, Governmental Accounting Standard Board (GASB) rules require governmental entities to report their assets/liabilities and revenues/expenditures for retiree other post-retirement benefits separately from those for active employees. Under these standards, OPEB are interpreted to include access for retirees to buy insurance through the state health and life insurance pools. GASB defines this kind of OPEB as an "implicit rate subsidy" in its publication *Other Postemployment*

Benefits: A Plain-Language Summary of GASB Statements No. 43 and No. 45. (from the GASB website www.gasb.org)

2. The health insurance plans for Montana allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the state or any of its component units.
3. Unlike current employees, retirees do not receive any direct assistance with their premiums from the state. However, under the new GASB standard the ability of state retirees to continue their policies within the state employee insurance system is considered an implicit rate subsidy and therefore must be recorded as an OPEB liability.
4. While the new GASB accounting standards require the OPEB amounts be recorded as liabilities, the state has no legal obligation to expend funds. Each year's OPEB liability will remain on the state's books as a liability and will be joined by the next year's OPEB liability, resulting in an accumulation over time of OPEB liabilities.
5. The State Accounting Division, Department of Administration, indicates that enterprise funds and internal service funds are affected by the GASB standard change.
6. The OPEB costs are not currently reflected in the general fund revenue estimates for profits transferred to the general fund from Liquor Division and the Montana Lottery. Therefore, there is no fiscal impact from this bill.
7. IF HB 141 were not to pass, OPEB costs would be included, and transfers to the general fund for Liquor and Lottery profits would be reduced by the amounts in the following tables.

Department of Revenue – Liquor Division

8. The following table shows the anticipated OPEB costs for the Liquor Division.

FY 2008	\$124,126
FY 2009	\$258,182
FY 2010	\$402,963
FY 2011	\$559,326
FY 2012	\$728,198
FY 2013	\$910,580

9. The Liquor Division's enterprise fund is used for the Liquor Division's business operations. The Liquor Division is authorized to mark-up the base cost for liquor and wine for sale (16-1-404(2), MCA). These liquor sale markups generate profits which are transferred to the general fund. In FY 2008, \$8.775 million in liquor profits were deposited in the general fund.
10. To calculate liquor profits, the Liquor Division subtracts the cost of goods sold and other operational expenditures from total sales revenue. In calculating the FY 2008 liquor profits to be transferred to the general fund, no OPEB liabilities were included as an operational expenditure because the liability was recorded as a non-budgeted expense by the Department of Administration.

Department of Administration – Montana Lottery

11. The following table shows the anticipated OPEB costs for the Montana Lottery.

FY 2008	\$104,369
FY 2009	\$217,088
FY 2010	\$338,824
FY 2011	\$470,298
FY 2012	\$612,291
FY 2013	\$765,644

12. The Montana Lottery did account for OPEB costs before transferring profits to the general fund in FY 2008.

Statewide Internal Service Funds

13. This bill allows internal service funds to not include OPEB in calculating their fees; and having fees commensurate with costs. This will prevent funding OPEB costs and reduce the rates charged by internal service funds to other state agencies.

14. The following is a table of estimated OPEB liabilities in internal service funds.

FY 2008	\$2,188,000
FY 2009	\$4,551,050
FY 2010	\$7,103,123
FY 2011	\$9,858,373
FY 2012	\$13,011,163
FY 2013	\$16,604,139

15. OPEB costs have not been built into rates for internal service funds for the 2011 biennium. If this bill does not pass, these funds will have to recover these costs.

Technical Notes:**Department of Revenue**

1. The definition and source of the term “implicit rate subsidy” should be clarified in the bill.

Sponsor's Initials

Date

Budget Director's Initials

Date

